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DE RUEHC #1177/01 2162207
ZNR UUUUU ZZH
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FM SECSTATE WASHDC
TO RUEHLB/AMEMBASSY BEIRUT PRIORITY 1061
RUEHEK/AMEMBASSY BISHKEK PRIORITY 5595
RUEHBZ/AMEMBASSY BRAZZAVILLE PRIORITY 1509
RUEHWN/AMEMBASSY BRIDGETOWN PRIORITY 1311
RUEHEG/AMEMBASSY CAIRO PRIORITY 2458
RUEHLM/AMEMBASSY COLOMBO PRIORITY 5657
RUEHDBU/AMEMBASSY DUSHANBE PRIORITY 0947
RUEHBUL/AMEMBASSY KABUL PRIORITY 2483
RUEHLP/AMEMBASSY LA PAZ PRIORITY 2974
RUEHLU/AMEMBASSY LUANDA PRIORITY 0774
RUEHMU/AMEMBASSY MANAGUA PRIORITY 9402
RUEHNR/AMEMBASSY NAIROBI PRIORITY 2474
RUEHNJ/AMEMBASSY NDJAMENA PRIORITY 4751
RUEHNM/AMEMBASSY NIAMEY PRIORITY 5148
RUEHOU/AMEMBASSY OUAGADOUGOU PRIORITY 8764
RUEHPF/AMEMBASSY PHNOM PENH PRIORITY 9959
RUEHRH/AMEMBASSY RIYADH PRIORITY 2742
RUEHYN/AMEMBASSY SANAA PRIORITY 9621
RUEHDG/AMEMBASSY SANTO DOMINGO PRIORITY 7788
RUEHYD/AMEMBASSY YAOUNDE PRIORITY 0841
INFO RUEATRS/TREASURY DEPT WASHINGTON DC PRIORITY 0009

UNCLAS SECTION 01 OF 03 STATE 081177

SENSITIVE
SIPDIS

E.O. 12958: N/A

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SUBJECT: DEMARCHE: ENCOURAGING CENTRAL GOVERNMENT BUDGET
TRANSPARENCY

REF: STATE 28885

¶1. (U) This is an action request; see para 5.

¶2. (U) Section 7088(c)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 (Div H, P.L. 111-8) ("the Act"), prohibits "assistance for the central government of any country that fails to make publicly available on an annual basis its national budget, to include income and expenditures." Section 7088(c)(2) permits the Secretary of State to waive this restriction on a country-by-country basis. Congress revised this provision in FY09 to require individual country waivers after the previous administration utilized a blanket waiver in FY08. The Secretary's authority to waive this requirement has been delegated to the Deputy Secretary for Management and Resources.

¶3. (SBU) After passage of the Act, the Department, with input from Posts, determined which central governments were not in compliance with the legislation and whether it was in the national interest to seek a waiver to allow foreign assistance funding to proceed.

¶4. (SBU) Administration and Congressional interest in this issue reflects a view that open budget processes and fiscal transparency are key components of good governance. Transparent budget and procurement processes are especially important to effective allocation and management of limited resources, as well as key to a government's accountability to its citizens. Promoting fiscal transparency is therefore a foreign policy priority. To that end, in justifying future transparency waivers, the Deputy Secretary for Management and Resources will specifically inquire about U.S. efforts being undertaken to bring the governments in question into compliance with Section 7088(c).

¶5. (SBU) Action request: Posts in countries whose central governments received a waiver for the release of FY09

assistance funds are requested to deliver the following points to host government officials at the appropriate level:

-- Good governance and respect for rule of law are critical to sustainable development and a country's effective use of resources, including U.S. foreign assistance. An open budget process and fiscal transparency are key components of good governance.

-- The U.S. Government places a high priority on promoting budget transparency. Transparent budget and procurement processes are especially important for the effective allocation and management of limited resources and accountability to citizens.

-- In March of this year, the U.S. Congress passed the FY 2009 Department of State, Foreign Operations, and Related Programs Appropriations Act, which prohibits "assistance for the central government of any country that fails to make publicly available on an annual basis its national budget, to include income and expenditures," unless the Secretary of State waives the restriction and sends a report to the Congress justifying the waiver. This restriction is likely to continue in future years, Appropriations Acts.

-- This year the USG required a waiver for (country) in order to continue providing U.S. assistance.

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-- The State Department could not unequivocally state that your government met the budget transparency standard required by the FY 2009 Appropriations Act, yet we determined that it was important to the national interest of the United States to continue providing assistance.

-- Future waivers will not be automatic. When determining country eligibility for future waivers, we will look specifically at improvements made by (country) to improve budget transparency.

-- We encourage you to improve budget transparency by making a national budget publicly available that reflects income and expenditures in a manner that is accurate and credible.

-- If appropriate: Increasing budget transparency can be as simple and low-cost as posting local budgets in publicly-accessible places, like schools and government offices. It can also include creating/expanding budget technical assistance programs, which is supported by a number of U.S. government agencies, other donor countries and international financial institutions. We are interested in hearing whether there are ways our assistance could help you to make your budget more transparent.

¶6. (SBU) FOR POSTS, REFERENCE ONLY) NOT TO BE SHARED WITH HOST GOVERNMENT (paras 6-9): EEB/IFD/OMA, in coordination with F, L, H, and PM, developed a methodology for reviewing fiscal transparency to satisfy the requirement in the legislation. In reviewing whether a country met the requirements, EEB/IFD/OMA relied primarily on:

-- Post's response to reftel, which requested an update on host country fiscal transparency;

-- State's 2008 Report to Congress on Fiscal Transparency and Accountability in Countries whose Central Governments receive U.S. Foreign Assistance;

-- International Monetary Fund reports;

-- The NGO Open Budget's 2008 report on budgetary transparency.

¶7. (SBU) In recommending whether a country met the requirement set out in Section 7088(c)(1), EEB/IFD/OMA:

-- Took into account whether a country makes publicly available a budget that includes income and expenditures. "Publicly available" can be broadly interpreted to mean that the information is available on-line, on request from the government, for purchase at a government printing office, etc.;

-- Evaluated the completeness and credibility of that publicly available information with regard to central government revenues or expenditures;

-- Did not consider the omission of military or intelligence spending from the budget, as many countries do not disclose for national security reasons;

-- Did not review budget transparency below the central government level.

18. (SBU) Typically, countries were deemed to require a waiver if:

-- The budget was not publicly available;

-- There was substantial doubt about the credibility of the

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-- And/or there was a significant level of extra-budgetary or non-disclosed revenue or expenditure, rendering the budget non-transparent.

19. (SBU) Where there were serious concerns about the aforementioned issues noted in para 8, EEB/IFD/OMA noted them to the relevant regional bureau. The regional bureau then made a determination whether to pursue a waiver so that assistance to the country in question could continue.

110. (SBU) Posts are requested to deliver demarche responses by September 1 in cable slugged for EEB/IFD/OMA Briana Saunders, and by e-mail to SaundersB@state.gov.
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